

Moss Landing Harbor District

7881 Sandholdt Road
Moss Landing, CA 95039-0010
(831) 633-2461, Fax (831) 633-4537

Board of Harbor Commissioners
Jack Compton ~ Dennis Garmany
Russ Jeffries ~ Peggy Shirrel ~ Tom Villa

General Manager
Jim Stilwell

April 4, 2001

Honorable Robert O'Farrell
Presiding Judge of the Superior Court
Monterey County
P.O. Box 1819
Salinas, CA 93902

Dear Judge O'Farrell :

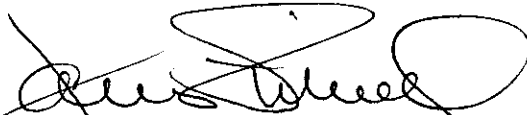
RE: Responses to the Findings and Recommendations of the 2000 Monterey County Civil Grand Jury Final Report – Moss Landing Harbor District Renovation Financing.

On behalf of the Board of Harbor Commissioners of the Moss Landing Harbor District I am pleased to submit the Boards responses to the above captioned Findings and Recommendations.

Should you have additional questions, or require additional information, please don't hesitate to contact the District.

Sincerely,

MOSS LANDING HARBOR DISTRICT



James Stilwell
General Manager

JLS:waf

Encl: Responses to the Findings and Recommendations of the 2000 Monterey County Civil Grand Jury Final Report – Moss Landing Harbor District Renovation Financing

Cc: Board of Harbor Commissioners

SERVING THE FISHING INDUSTRY SINCE 1947

Responses to the Findings and Recommendations
of the
2000 Monterey County Civil Grand Jury Final Report
Moss Landing Harbor District Renovation Financing.

FINDINGS

1. *The price tag for the District's planned projects is estimated at approximately \$16.2 million. At this writing, the District has secured roughly \$12.2 million in grant money to cover the cost of many of the projects (see Exhibit 2). The remaining cost is expected to be paid by a \$4.5 million loan from California Infrastructure Economic Development Bank. Developers will finance other projects. District officials have stressed projects will not be initiated if a funding mechanism has not been secured beforehand.*

District officials agree with the finding

2. *Harbor officials are optimistic the renovation projects will bring revenue into District coffers. A Five-Year Projected Profit and Loss Statement prepared by District officials anticipates total revenues of \$2.7 million by the end of the Fiscal Year 2004-2005. The sum represents a 44% increase over projected revenues for the Fiscal Year 2000-2001.*

Harbor officials view the renovation of the Cannery Building as a cornerstone of rejuvenation efforts. The \$4.2 million renovation, of which \$2.6 million has already been secured through grants, is anticipated to bring an estimated \$20,459 per month into District coffers in the first year alone. The building will be rented to a number of local fishing companies. By the fifth year, the building and its renters will bring an estimated \$265,746 into the District each year. Harbor officials say they already have tentative rental agreements with four tenants. Each vendor has signed a 30-year lease on space in the Cannery Building, which is expected to be ready for occupancy in January, 2001.

District officials generally agree with the finding, however, in the interests of full and accurate disclosure, Harbor officials now state that one original "vendor" or prospective lessee has since withdrawn its interest in the site. That prospective lessee has been replaced with four other prospective lessees.

3. *An independent District audit conducted February 15, 2000, by Hutchinson and Bloodgood, an accounting firm based in Watsonville, did not find any instances of non-compliance with accepted budgeting procedures.*

District officials agree with the finding.

4. *The debt incurred from the District's proposed capital improvements are covered by projected revenues. The budget for Fiscal Year 2000-2001 anticipates a net income of \$196,852.*

District officials agree with the finding.

5. ***The District's loan capacity is within the standards of the amount the Board projects. As of June 30, 2000, the District carried a debt of \$1.5 million and contained an equity of \$6.2 million. Thus, the District's debt-to-equity ratio is 25%. The District has assets valued at more than four times the amount necessary to pay its outstanding debts.***

District officials agree with the finding.

6. ***To help enhance revenues, Commissioners recently increased some fees. For instance, the price of a combined launch ramp and parking permit was raised to \$6.00, a \$1.00 increase, and berthing fees were increased by 50-cents per foot per month for assigned berth holders. Despite the increase, the District's berthing fee of \$4.50 per foot per month is still below the market rate. For comparison, the Santa Cruz Harbor charges from \$6.90 to \$7.10 per month, while Monterey Municipal Marina charges \$5.50 per foot per month. The District plans to raise berthing fees by 50-cents every year until market price is reached.***

District officials generally agree with the finding. The FY2001 Adopted Budget states, in part ... "\$0.50 per foot increase in the berthing rate for assigned berth holders, with the plan to increase the rate by this amount for each of the next five years until market rate is achieved, thence by CPI-U afterwards. Of course, future year increases are subject to the annual budget process."

7. ***The large dredging project completed in June must be repeated periodically since nearby waterways continually dump soil and sludge, some of it containing traces of pesticides used in agriculture, into the Harbor. The District owns dredging machinery to perform the work. Still, the cost of dredging is impacted by state and federal laws that prohibit the District from dumping soil that contains high concentrations of pesticides back into the ocean. The District must therefore find alternate means of disposing of the soil. District officials, for the first time this year, created an accrual fund that can be used to pay for future dredging. The 2000-2001 budget includes \$170,000 that has been placed in this new reserve fund.***

District officials generally agree with the finding. Although the budget includes \$170,000 to be accrued for future dredging, this amount is dependent upon overall budget performance. The District will not limit its contribution to the dredging fund at \$170,000 should additional money become available.

RECOMMENDATIONS

1. ***District officials continue to aggressively pursue grant funding to finance planned projects.***

The recommendation has been implemented. District officials will continue to pursue grant funding opportunities. The District employs a part-time grants specialist whose primary duty is to investigate and pursue grant funding opportunities available to the District

2. ***Whenever possible, officials pursue additional means of revenue, such as the renovation and/or lease of appropriate buildings. Such projects allow the District to recoup any out-of-pocket expenses and create additional revenue streams.***

The recommendation has been implemented. District officials will continue to develop District properties to the highest and best use, consistent with its enabling legislation and covenants governing land-use in the Moss Landing community and environs.

3. ***The District continue to undergo annual audits to ensure a healthy budget is maintained.***

The recommendation has been implemented. An annual audit of the District's books is required by Section 6062 of the Harbors and Navigation Code.

4. ***Officials carefully monitor District revenues, reserves, and expenses to keep spending at appropriate levels.***

The recommendation has been implemented. District officials are presented with monthly financial statements. In addition, the District's treasurer, a member of the Board of Harbor Commissioners, reviews the District's accounts on an irregular and frequent basis.

The District's budget process is an open and public process controlled by an ad hoc committee consisting of District officials and members of the general public.

5. ***Commissioners scrutinize the debt-to-equity ratio carefully when embarking on new financing methods in order to ensure expenses don't exceed the District's ability to pay.***

The recommendation has been implemented. District officials carefully scrutinize debt-to-equity ratios, in addition to performing other accounting tests, prior to undertaking any financing method.

6. ***The District continue to raise berthing fees until they are in keeping with the market rate. Caution should be exercised, however, to ensure the cost does not exceed what the Moss Landing market can bear.***

The recommendation has been implemented for the fiscal year ending June 30, 2001. District officials will continue to raise berthing fees until market rate is achieved. Caution will be exercised to assure that unique aspects of Moss Landing are considered when ascertaining local market rates.

7. ***The District continue to fund the dredging reserve fund to the full extent the budget allows. While the \$170,000 put into this fund is an admirable beginning, it is not nearly enough to cover the cost of future dredging. More money must be place in this account so the District will not experience a financial setback when future Harbor clearance is required.***

The recommendation has been implemented although \$170,000 may not be fully available during this fiscal year. District officials will continue to fund dredging reserves to the maximum extent permitted by its financial condition. The District recently lobbied

for, and was successful in receiving a congressional add in the amount of \$750,000 to the U.S. Army Corps of Engineers budget for funding of Dredged Materials Management Plan for Moss Landing Harbor. An ecological risk assessment is a key component of this plan, which when completed, may provide long-term solutions for dredging problems at Moss Landing Harbor.